

STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

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Implementation of Renewables)	Docket No. 00-REN-1194
Legislation (Public Utilities Code)	Committee Workshops
Sections 381, 383.5 and 399 [SB 1194, AB 995]))	Re: Renewable Investment Plan
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Comments of
Kramer Junction Company

November 3, 2000

Tandy McMannes
2938 Crownview Dr.
Rancho P.V., CA 90275
(310) 832-3681

Introduction

Kramer Junction Company ("KJC") is the Managing General Partner and Project Manager of five 30-megawatt solar thermal electric generating facilities ("SEGS III - VII") located near Kramer Junction, California. These SEGS comprise 150 of the 354 megawatts of installed parabolic trough solar thermal electric generating capacity located in California.

KJC is committed to the successful operation and refinement of solar thermal parabolic trough technology, as well as to the advancement of all solar thermal electric technology, because it is reliable and environmentally beneficial.

In Senate Bill 1194 and Assembly Bill 995 ("SB 1194/AB 995"), the Legislature specifically recognized the importance to California of the continued operation of its solar thermal peaking capacity. Section 399.6(c)(6) states the Legislature's intent that California's continuing financial support for renewable technologies will include:

Solar thermal generating resources that enhance the environmental value or reliability of the electric system

KJC concurs with the Legislature that support for existing solar thermal generation is particularly crucial during the transition to a fully competitive electric market. The continued operation of existing solar capacity will enhance reliability and moderate price volatility due to its reliable peaking capacity from a renewable source. This past summer, while gas-fired facilities contributed to pollution in the Los Angeles basin and drove up natural gas prices at the California border during the numerous ISO-declared system emergencies, the Kramer SEGS consistently produced in excess of 150 MWs with solar energy as their primary fuel source.

In addition, the continued operation of the State's solar thermal capacity will provide a foundation for the further development and improvement of solar thermal technology and lessen California's dependence on fossil-fuel fired generation.

Workshop Questions

KJC has reviewed the California Energy Commission's ("CEC") *Notice of Committee Workshops on the Renewable Investment Plan* and has the following response:

Existing Generating Facilities

KJC supports the CEC's recent revisions to the Existing Renewable Resource Account raising the Tier 1 Target Price to 5.0 cents/kWh starting with the November 2000 payment cycle and continuing through 2001. The CEC recognizes California's need for renewable generation, especially during periods of high electric demand. To ensure that the SEGS can continue to provide a reliable, environmentally beneficial source of power during California's peak demand periods, KJC recommends the following approach for the use of SB 1194/AB 995 funds:

1. Continuation of the Existing Renewable Account established under Senate Bill 90 (SB 90). Fund the Existing Renewable Account initially with funds not used in SB 90. Provide additional funds for a total of \$14.0 million adjusted annually for inflation, to ensure adequate support for the nine existing solar thermal renewable facilities in the event gas-based SRAC or PX-based SRAC falls to levels experienced during 1998 and 1999 or lower.
2. Effective January 1, 2002, (i) set the "Target Price" in the Existing Renewable Account for solar thermal projects at 5.5 cents/kWh, (ii) set the "Cap Price" at 1.5 cents/kWh, (iii) adjust the "Target Price" and the "Cap Price" annually for inflation, and (iv) at the end of each year, transfer any excess funds in the Existing Renewable Account to a New Renewable Account for auction.

A common misconception concerning solar thermal facilities is that their fuel is free. On the contrary, in order to capture sunlight and turn it into electrical generation, the Kramer SEGS must, at considerable expense, operate and maintain large solar fields covering nearly 700 acres. In addition, the uniquely manufactured solar field spare parts are very costly. Establishing a 5.5 cent/kWh "Target Price" is essential to ensure the continuation of this investment of capital and operations and maintenance into the existing SEGS facilities.

Through the continued efforts of the SEGS investors, and with the support of the CEC, the viability of California's SEGS facilities, as well as the development of future solar thermal facilities, will have a greater opportunity to succeed. California consumers will continue to reap the benefits of a diverse renewable energy mix.

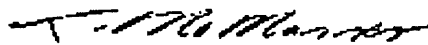
Conclusion

During the summer of 2000, the ISO declared 32 separate Stage I System Emergencies and 17 Stage II System Emergencies. During one period, the ISO reported that California came within 15 to 20 MWs of rolling blackouts. During the numerous System Emergencies, the SEGS III-VII projects provided in excess of 150 MWs of environmentally beneficial solar power. Even though the SEGS account for only a small part of California's diverse mix of electric generation, they account for a very important part, especially during these peak demand periods.

The above recommendations are consistent with the CEC's stated desire not only to ensure that additional generation becomes available prior to the summer of 2001, but also to ensure that existing renewable generation will remain an important part of California's diverse energy mix.

KJC is committed to the long-term health of California's existing solar thermal projects. We appreciate the opportunity to work with the CEC to accomplish this goal.

Respectfully submitted,



Tandy McMannes
Kramer Junction Company